

~~General Requirements for Military Economic Information~~

NSC/NIP 4/2

The desired information, illustrated by this requirement, pertains to the field of military economics. More specifically, the purpose to which this kind of information is put is the determination of the costs to the USSR of their military programs and activities. Beyond this, the impacts of these military programs and activities on the Soviet economy and on individual sectors of their economy are measured or are to be measured. A goal toward which work is proceeding--and one that this requirement, it is hoped, will facilitate--is to be able to cast account alternative Soviet military programs in light of military objectives. In this way it is expected that the economic feasibility, or the lack of it, will become apparent with regard to the likelihood of the USSR undertaking or continuing certain military programs when these programs are measured against possible alternatives which can be directed toward the same end.

The basic approach to the determination of Soviet military costs is to consider each program and/or activity in as detailed a fashion as the data permit. This method, therefore, requires a wide variety of detailed data dealing with everything from underlying physical quantities which describe one facet of a program to logistical factors, costs, prices and other financial data. At the same time, aggregative information, particularly of a financial nature, is needed--in part for the information provided in and of itself and also in order to have check points for the basic, detailed nation.

Although this branch has the responsibility for producing these studies, they are joint products of the intelligence community. That is, contributions are made by the intelligence organizations of the services and other units of this Agency and at least the conclusions are reviewed by the IAC at the time of their inclusion in National Intelligence Estimates. In addition to being contributions to National Intelligence Estimates the end products of these studies are used to service requests from members of the intelligence community and other consumers.

APPROV'D

SECRET IC (REL TO DIA/CIA)

The specific requirements which follow, although fairly comprehensive, are not intended to be exhaustive. They are meant to serve as a detailed guide to the type of information desired and should be expanded and/or reoriented as deemed warranted.

There are several general considerations that are largely applicable to the requirements as a whole. These further define the information requested.

- 1) The time period for which information is desired is from 1946 on through the present and future (if knowledge about plans is available).
- 2) The data should be on an annual basis although occasionally briefer time intervals may be appropriate.
- 3) The requirements are applicable to all Soviet Bloc nations, including Communist China, but emphasis is on the USSR. (Data on other Bloc countries are of use in and of themselves but also for their possible reflection of Soviet activity, practice, etc.)
- 4) Although the requirements are designed for the regular Soviet military forces they should be extended in their application to cover the militarized security forces (e.g., MVD-KGB).
- 5) If given sources cannot be specific general information directed to the requirements should be obtained, as should opinion.

I. Financial

A. General

1. What are the sources (and amounts) of funds for financing military programs and activities?
  - a. What is the relationship of the announced (budgetary) defense allocation to total outlays for military purposes?
  - b. What programs and activities are financed by the announced defense allocation?
  - c. What are the other sources of funds--specifically--and what military programs and activities do these other funds finance?
    - 1) Who (i.e., which organizations) has responsibility for these other funds?
    - 2) Is there a relationship between organizational structure and the source of funds?
  - d. What are the procedures for transferring funds allocated to military purposes, whatever the source, from their origin (e.g., a budgetary category) to the final recipient?
    - 1) Is there any relationship between the source of funds, the purpose of the funds, etc. and the respective procedures? If so, be specific.
2. Describe the planning process used to arrive at the financial requirements for a succeeding fiscal period. Be as detailed as possible, including the timing, factors in use, etc. Information is desired as to this process on an aggregative level--e.g., the explicit allocation defense--and for the subordinate levels appropriate to the Soviet military (and related) organization.

B. Prices

Any data relating to prices paid by the Soviet military establishment, or any organization acting for it, for any good or service consumed by the military establishment should be considered. Soft goods--particularly food and clothing--as well as hard goods and services (items of major combat equipment, support equipment, organizational equipment, construction, transportation, etc.) are to be included.

See section C. below for military pay and allowances, civilian wages, etc.

1. Specify any prices known. (Price books are desired, if obtainable.)
  - a. Describe the good (or service) for which the price is applicable. Name, its nomenclature.
  - b. What is included in the cited price: spares (kind and quantity), support; equipment, installation service, etc.
  - c. What is the condition of the item: New, old and/or used, ...?
  - d. What are the prices of components? E.g., if an aircraft price has been cited, what is the price of the engine(s), the electronics, ...?
  - e. How was the price determined? What elements of cost are covered by the price—labor, materials, administration, amortization or depreciation, taxes, profits, research and development, etc.? Specify the proportion of the price attributable to each factor.
  - f. Indicate the time period for which the price is applicable. What changes in the price have occurred over time (since 1945)?
2. Do prices paid by, or for, the Soviet military differ from those paid by other consumers of the same items? In such instances specify the reasons for any differences (e.g., tax forgiveness, subsidies, etc.).
  - a. Other domestic consumers—governmental overhead apparatus, industrial, household.
  - b. Other foreign countries—military, other governmental, other.
  - c. Lack of world.
3. Does the Soviet military establishment, or its agents, effect savings by being permitted to purchase at a more primary level than other purchasers? For example, can the Soviet military purchase directly from a procurement organization and thereby bypass certain handling charges, taxes, and surtaxes? See V.C.2.

C. Pay and allowances

1. Military
  - a. Designate the pay and allowances for the various ranks, grades and positions of the Soviet army, naval and air forces.

The following should be ascertained:

- 1) The rank or grade and position, and where appropriate--  
viz., for enlisted men--whether reservists or not.
- 2) Total pay and allowances broken down into:
  - a) rank pay;
  - b) position pay;
  - c) longevity pay;
  - d) special pay - flying, distant locality, etc..
  - e) allowances - family, travel, etc.;
  - f) fringe benefits - housing, price differentials in  
food and other purchases, etc.

3. Reservists recalled for training

Use detail above and apply it as appropriate.

4. Civilian employees of military organizations

Use detail cited above as a guide. Modify it as required.  
Include income received in the form of food, clothing, quarters,  
etc., as appropriate.

5. Retirees (retired career military personnel)

- a. What is the basis for computing retirement benefits? How  
does it vary with grade, rank and longevity? What retirement  
benefits accrue for special duty? Is there any variation among  
the services?

6. Mission expenditures

This section is designed to cover the expenditures associated with  
specific functions--for example, a repair base, a tanker group, a missile  
unit, a tank division, a headquarters unit, research and development  
program, etc. The following outline is presented as a guide of the most  
general nature to the information desired on outlays. Whenever possible  
the outlined categories should be subdivided in order to provide more  
detailed information. Regardless of the level of detail, each category  
should be defined (its inclusions and exclusions).

**SECRET**

Total listing for a given situation

- I. Personnel
- II. Operations and Maintenance
- III. Procurement of Major Equipment
- IV. Construction
- V. Research and Development

VI. Military Organization and Equipment

- A. The TO & E (including civilians) of the various types of units (including labor battalions).

Note: The primary need in this area is for information on the rank (or grade) and position of each member of a unit.

See Section III for special requirements for the four services.

- B. The TO of the command structure (including civilians) with special emphasis on the Ministry of Defense, military districts, fleet headquarters and field armies (ground and air). Detail as to rank (or grade) and position is needed for the various sections, departments, directorates and chief directrators.

C. Military schools

1. Designate the number of schools, by type, for each service.
2. How many officers and enlisted men are in training at given times? Specify--if possible--the eastern upbringing; training, by types of schools.
3. What is the duration of training for the various courses or specialties?
4. What are the size and composition of the staffs of the various schools?
5. Actual force and equipment levels

1. What percentage of the TO are authorized in the various units? (Specify the appropriate percentages for officers, NCOs (differentiating reenlistees) and privates.)
2. What equipment levels are authorized in line units?
3. Are all pieces of a given type of equipment subjected to the same general amount of use? If not, what is the basis for determining how much of the equipment is to receive a given amount of use? Then, if possible, quantify the relative amounts of use.

A. Type of conscription:

1. Describe the Soviet system of conscription. For example:
  - a. What are the sizes of conscript classes and what percentage of these classes are induced? Describe deferments and exemption procedure. Specify filing or decentralization dates by class.
  - b. What priority is given the several services in the assignment of conscript personnel?
  - c. What percentage of conscriptees re-enlist or are accepted for re-enlistment?
  - d. What are the terms of service, by what differentials between stated and actual terms of service.
2. Describe the functioning of the Soviet reserve system:
  - a. What are the obligations of reservists--both those who have served in the military services and those who have not? Differentiate by service and between officers and enlisted men. Do the legal obligations very free practice?
  - b. What duties of reservists, officers and enlisted men, are called for refresher training?
  - c. Who has and who, and to what extent, are reservists called or recalled to active duty?
  - d. What proportion of officers are discharged to the reserve before reaching retirement.
3. What is the size of the retirement roll of ex-military personnel?
  - a. What is the makeup of the retirement roll by rank and grade--by service?
  - b. What are the usual increments to the retirement rolls, gross and net?
4. Order of battle information, by service (including labor battalions).

B. Logistics

1. What is the DOD of rear service organizations including:
  1. Line organizations (airlift, field army)

2. Command organizations—groups of forces, military districts, fleets and the Ministry of Defense;
3. Supporting rear service units such as repair bases, depots, transportation units;
4. What are the rear service organizational relationships among the army, navy and air force?
5. What are the procurement and inspection responsibilities of rear service organizations? If there are areas of procurement over which the rear service organization has no responsibility, which organization has the responsibility and in what areas does this responsibility apply?
6. What are the consumption, incidence and replacement rates for major items of equipment and supply? What are the counterpart planning factors for these processes?
7. What accounting procedures are in use with regard to equipment? Be as specific as possible.
8. What considerations and factors are used in determining the levels of parts and stockpiles of equipment and supplies? To what extent have the rear service organizations jurisdiction in these matters?

#### IV. Soviet Military Relations With Other Bloc Countries (including Communist China)

- A. What are the organizational relationships among these countries? For example, what are the Soviet responsibilities under the Warsaw Pact?
  1. What are Soviet troop commitments to the Warsaw Pact?
  2. What is the structure of the Warsaw Pact command and the makeup of the command structure with particular reference to the representation of Soviet personnel (officers)?
  3. Of the expenditures that arise as a direct result of the Warsaw Pact what share is borne by the USSR? For what purposes are these funds expended? Equipment? Troops? Aid?
- B. What is the total volume of trade, imports and exports, in military goods between the USSR and other Bloc countries?
  1. Specify the quantities of major items of equipment included.
  2. What is the value of trade, in monetary and physical terms, between the USSR and individual other Bloc countries?

3. What are the terms of these military trade transactions?
4. Are the concept and practice of military assistance built into these transactions?
5. What currencies are employed and what are the exchange rates (stated and actual) basic to these transactions?
6. How are prices determined for the goods involved in these transactions and what are these prices?
7. What are the mechanics of effecting these transfers of goods? For example, which organizations perform what functions?
8. What are the occupation costs borne by countries with Soviet groups stationed on their territory?
  1. What form do these payments for occupation costs take?
  2. What are the mechanics of transferring these payments to Soviet authorities.
  3. How are these payments treated by Soviet authorities? That is, what accounts (budgetary or other), if any, are credited upon receipt of these payments? Where in the Soviet hierarchy is the disposition and use of these funds controlled?
  4. Do special conditions apply with regard to these funds? For example, does the USSR receive special, favorable prices when expending these funds?
9. What is the extent of reparations paid to the USSR? See questions above, C 1-4 dealing with occupation costs, for a guide to the information desired on reparations.

V. Other

This category is designed to cover a number of items which are also of direct interest and although to some extent covered in the preceding categories, seem to warrant separate treatment.

A. Research and development

1. What are the total expenditures, on an annual basis, for research and development (R & D)? See definitions in 1 b, below.
  - a. What part of the total expenditures is devoted to military purposes? To investment? To consumption?
  - b. What is the division of expenditures among pure research, applied research, development, and product development?

(These terms are defined as follows: pure research - research directed toward the increase of knowledge in science; applied research - research directed toward the practical application of science; development - systematic use of scientific knowledge directed toward the production of useful materials, devices, systems, or processes other than design and production engineering; product development - design and production engineering, experimental production, testing, prototype production, and associated activities.)

- c. What relationship exists between types of organization (e.g., research institutes) and research and developmental responsibility (see a. and b. above)? Relate expenditures to types of organization, if possible.
2. What are the sources of funds for R & D activity? Be specific--e.g., which budgetary account(s).
  - a. Does the kind of R & D (e.g., pure research, development), the purpose of the R & D (e.g., military) and/or the executing organization (e.g., a research institute) have any relationship to the source of funds?
  - b. In the case of contractual R & D--e.g., between a plant and a research organization--what is the source of funds? That is, does the plant receive budgetary funds to pay for R & D done for it by another institution or is the R & D paid for out of plant income derived from sales, etc.?
3. By type of organization, what is the distribution of R & D expenditures for salaries, other operating expenses, construction, equipment, etc.
  - a. What is the total number of personnel involved--by type of organization--and how are they distributed by training (scientists, assistants, clerks, etc.)?
  - b. What is the wage scale for each of the groups--scientists, engineers, etc.?
  - c. What has been the movement of salaries and wages and/or prices associated with the other categories? Site specific prices, salaries, and/or indices wherever possible.
4. To what extent are R & D costs included in the final price of products? Does the practice vary between military and non-military products?

5. Plants, military farms, research institutions and other organizations owned and/or operated by the Ministry of Defense.

1. Indicate any plants or other organizations falling within this category and their products--goods and services.

2. Which organization(s) within the Ministry of Defense controls the plants, etc.?

3. How are the plants and other institutions financed?

a. Are budgetary funds in the explicit allocation to the Ministry of Defense? If not, where?

b. How are revenues from sales to the military establishment and to other consumers handled? What is their disposition?

c. What is the basis for price determination for the various goods and services? See I.B.1.c.

d. How are the plants and other organizations staffed: Civilian, Military?

e. Military revenue and expenses:

1. Indicate any activities that result in revenue accruing to military organizations. To what use are these funds put in the military and what is their disposition?

2. Describe any conditions or activities that may result in monetary savings to the Soviet military establishment. For example, by having certain producing facilities it may be feasible to purchase certain items at a more primary stage--e.g., certain food-stuffs, cloth.

3. Arms transactions between the USSR and nuclear nations. See D.W.1. for the type of information desired.

f. Stockpiling:

1. What goods--hard and soft--in what quantities are stockpiled or kept as other than operational reserves? What is their value?

2. How are these stockpiles financed? What budgetary, or other, sources are drawn upon? Are there any special financing procedures or policies--e.g., special pricing?

3. Which organizations are responsible for this activity and what is the mechanism for the stockpiling process?

4. What is the policy with regard to maintaining equipment and raw materials in stockpiles?

5. What is the rate of flow of the various goods through the stockpiles? That is, what is the rate of turnover?

F. Nuclear energy

1. What is the extent of the outlays on the Soviet nuclear energy program—for military and civilian purposes? See I.D. for type of breakdown desired.

2. What are the sources of funds to finance the nuclear energy program?

G. Civil air fleet

See I.D. for a guide to the desired information.